

Service Date: March 27, 1991

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

IN THE MATTER OF the 1990/1991 -) UTILITY DIVISION
1991/1992 Avoided Cost Compliance)
Filings By Montana Power Company) DOCKET NO. 84.10.64
)

IN THE MATTER OF the Petition of)
the Conservation and Least Cost)
Planning Advisory Committee) DOCKET NO. 90.8.48
Requesting Certain Actions Affect-) ing the Montana Power Company)
)

IN THE MATTER OF the Petition of)
Lee Tavenner to Determine Energy) DOCKET NO. 91.10.41
Option B Rates For Years 1989,)

1990, and 1991) ORDER NO. 5608a

ORDER ON MOTIONS FOR RECONSIDERATION
Introduction and Summary

1. On February 14, 1992, the Commission issued Order No. 5608 in the above Dockets. Order No. 5608 required MPC to re-run PROMOD for the 1990/1991 and 1991/1992 contract years to recompute avoided costs reflecting two load and resource (L & R) changes to energy option B (EOB) (See FOFs 2-5 of Order No. 5608). The Order also required MPC to estimate and account for actual and known L & R changes, including known hydro conditions for the first contract year, in future filings of EOB and EOC (energy option C).

2. The Commission's decisions in this Order have implications on historic and future avoided cost energy payments, In this regard, certain historic payments to MPC's single EOB customer are impacted. The future cost basis for existing EOB Docket Nos. 84.10.64 & 90.8.48, Order No. 5608a Page 2 contracts and prospective EOB and EOC contracts is also

implicated by this Order. MPC's Motion and Correspondence

3. MPC filed a motion for reconsideration (motion) that has a single request: the Commission should require the inclusion of actual known hydro conditions in the recalculation of 1990/1991 and 1991/1992 rates.

4. Following MPC's motion, the Commission received a series of three responses: a response to MPC's motion from Mr. Lee Tavenner (Taverner), a reply from MPC, and a response to the reply from Tavenner. In addition to clarifying their respective positions on MPC's motion, these responses generally involved a dialogue on whether MPC's motion had implications that reached beyond the inclusion of actual and known hydro conditions when MPC recomputes 1990/91 and 1991/92 avoided cost rates.

Commission's Decision

5. The Commission's decision will address both MPC's motion and the suggested implications of MPC's motion. First, the Commission grants MPC's motion and modifies Order No. 5608 accordingly. The rates paid Tavenner under EOB for the 1990/91 and 1991/92 contract years, when revised, must also include the recognition of actual and known hydro conditions. Even Tavenner found merit in the reflection of such knowledge, albeit only on a prospective basis. The Commission notes that the 1990/91 and 1991/92 rates were paid subject to final review of MPC's compliance filings. Rates paid pursuant to the compliance filings are subject to retroactive revision on final approval.

6. In making such revisions the Commission finds that MPC must assume it is back in the same time frame when it would have normally made its 1990/91 and then its 1991/92 avoided

cost filings. In other words, MPC cannot use the knowledge it had at the end of the 1990/91 contract year to revise 1990/91 EOB rates. This would stretch the actual and known assumption beyond a level of reasonableness. However, on April 1, 1990, MPC had indications of actual and known hydro conditions that could allow use of the same data for a period running through, for example, September of 1990. MPC is permitted to use actual and known data for this period and must use average hydro conditions to model the balance of the contract year's avoided cost rates. The same must be done for the 1991/92 contract year but with actual and known hydro conditions as of April 1991.

7. The Commission considers it necessary to comment on the implications of MPC's motion. First, the decisions in this Order will not impact any past or future load and resource planning (LRP) process. In LRP the Commission includes least cost planning, the need for any other resource in the context of LCP or a contested rate case, and revenue requirements. Thus, the impact of this decision is limited to EOB and EOC as described above and in Order No. 5608.

8. Notwithstanding the above finding, there are implications in both MPC's and Tavenner's response which the Commission will address. First, the cost basis underlying EOB and EOC in the first year is the same. This point was made in detail in Order No. 5506a, Docket No. 90.8.51. For example, when MPC computes EOB for the 1992/1993 contract year it also computes EOC for the first year.

9. Second, there is a relation between the L&Rs underlying the calculation of EOB/EOC and those contained in a L&R plan (tabulation). The question is, if the Commission adopts actual and known water conditions for a portion of a contract

year's avoided cost rates (EOB/EOC), should those same actual and known data be used in a L&R plan? Both Tavenner and MPC responded to this question: Tavenner appears to think such data should not be used; MPC argues that they should not be used, except in the first year. Thus, MPC's position is that long-term L&R planning would be impacted, but only in the first year.

10. The Commission finds that in the effort to make more accurate its prospective EOB/EOC avoided cost price signals a logical relation to L&R planning (or tabulation) obviously arises. It does not make sense to use actual data for avoided cost prices and then pretend the same data are non-existent in a L&R planning forum. Thus, while L&R planning was not the primary focus of the prior order (No. 5608) it is an evolving issue. It appears impossible to consistently address just the avoided cost issue without the L&R planning issue as regards the first year of each. The Commission believes there should be consistency, as MPC argues, between the two but the intent in this Docket was not to review the L&R planning process. Thus, the Commission will not change its decision to require MPC to use actual and known hydro conditions in future avoided cost rates. Moreover, the Commission finds that while there should be consistency with L&R planning, such consistency must be debated in a forum that is focused on such an issue.

11. MPC must document the assumptions it makes to revise EOB rates for 1990/91 and 1991/92 to account for the change from an average to an actual and known level of hydro capability. Such documentation should be available for each month of the contract year in which MPC changes its average hydro data to reflect actual and known data.

12. The Commission also finds that MPC must document the off-

system opportunity sales value it imputes to any changed hydro conditions in recomputing historic EOB rates. Prospective EOB/EOC rates must include detail on the value of such sales.

CONCLUSIONS OF LAW

1. The Commission has the statutory obligation to supervise, regulate, and control public utilities. 69-3-102, MCA.
2. The Commission has the statutory obligation to assure that utility rates are just and reasonable. 69-3-202, MCA.
3. The Commission has an obligation to encourage development of cogeneration and small power production. 69-3-604(2), MCA.
4. The provisions of this order fairly balance the interests of ratepayers, utilities, small power producers, and cogenerators.

ORDER

1. Montana Power Company's Motion for Reconsideration of Order No. 5608 is granted and Order No. 5608 is modified as described above.
2. MPC must document the off-system opportunity sale values it imputes into all future EOB and EOC avoided cost rates, as well as that for the revised 1990/91 and 1991/92 rate recalculations.
3. Montana Power Company must comply with all other Findings of Fact in this Order.

DONE AND DATED this 19th day of March, 1992, by a 4 to 0
vote.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

DANNY OBERG, Vice Chairman

BOB ANDERSON, Commissioner

JOHN DRISCOLL, Commissioner

WALLACE W. "WALLY" MERCER, Commissioner

ATTEST:

Ann Peck
Commission Secretary

(SEAL)

NOTE:

You may be entitled to judicial review in Judicial in
this matter. Judicial review may be obtained by filing
a petition for review within thirty (30) days of the
service of this order. Section 2-4-702. MCA.